

**SECTION 31 -- COMPLIANCE WITH ADMINISTRATION POLICIES AND OTHER GENERAL REQUIREMENTS**

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**Summary of Changes**

Revises guidance on requests for advance appropriations (section 31.1).

Calls for agencies to redistribute higher-level positions to front-line, service-delivery positions (section 31.2).

Provides guidance on e-Government projects and refers to NARA records management guidance for agencies implementing electronic signature technologies (section 31.8).

Revises guidance on security (section 31.8).

Provides additional guidance on performing commercial activities (section 31.9).

Provides additional guidance on user fees (section 31.10).

Provides additional guidance on workforce restructuring (section 31.11).

**31.1 Advance appropriations.**

Do not request advance appropriations if the only purpose is to shift budget authority for a program that would normally be provided in the budget year. For example, if you would normally request budget authority in the budget year to cover a cohort of obligations for a grant program, even though some the obligations will not be incurred until the following fiscal year, you may not request an advance appropriation of budget authority to cover the obligations expected to be incurred in the following fiscal year.

### **31.2 Customer service.**

Your estimates should reflect the Administration's commitment to providing the highest quality service possible to the American people. Executive Order 12862 established the Administration's goal to make all aspects of the Executive Branch's management practices and operations equal to or better than the best service in the private sector.

Consider ways to enhance customer service both to Federal and non-Federal clients, based on information obtained from customer service surveys and other sources. Your estimates should also reflect implementation of customer service plans, including training and information collection needed to achieve customer service standards.

The Administration wants the government to be citizen-centered and to ensure that there is as little distance as possible between citizens and decision-makers. Toward that end, you should be developing workforce restructuring plans to reduce the number of managers, reduce the time it takes to make decisions, increase span of control, and redirect positions within the agency to ensure that the largest number of employees possible are in direct service delivery positions that interact with citizens (see section 31.11).

### **31.3 Equal opportunity.**

Your estimates should reflect the Administration's commitment to programs designed to ensure or promote equal opportunity regardless of race, color, religion, national origin, sex, disability, or age. These civil rights activities include the following:

- Implementation of statutes or regulations requiring fair housing.
- Nondiscrimination in federally assisted or conducted programs.
- Equal credit opportunity.
- Full voting rights.
- Civil and Constitutional rights.
- Equal employment opportunity (including nondiscrimination by Federal agencies).
- Efforts to increase Federal contracting and subcontracting opportunities for minorities, women, and disadvantaged entrepreneurs.

### **31.4 Full funding.**

Requests for acquisition of capital assets must propose full funding to cover the full costs of the project or a useful segment of the project, consistent with the policy stated in section 300.6(b). Specifically, requests for procurement programs must provide for full funding of the entire cost. In addition, requests for construction programs must provide for full funding of the complete cost of construction. You should not submit estimates for construction funds for major construction projects unless planning will reach a point by the end of the current year that will ensure that a contract for construction could be awarded during the

budget year. Remember that Administration policy and the Antideficiency Act require you to have sufficient budget authority or other budgetary resources to cover the full amount of unconditional obligations under any contract.

For policies related to leases of capital assets and lease-purchases, see section 33.4 and Appendix B. For guidance on budget submissions for capital asset acquisitions, see Part 3 of this Circular. For guidance on principles and techniques of planning, budgeting, procurement, and management of capital assets, see the supplement to this Circular, the *Capital Programming Guide*, which is published separately.

### **31.5 Government perquisites.**

Your estimates should reflect Administration policy to limit the use of government vehicles, government aircraft, first class air travel, executive dining facilities, and conferences, in accordance with Presidential memoranda, dated February 10, 1993.

### **31.6 MAX electronic network.**

For the purpose of cost distribution specified in OMB Circular No. A-130, OMB is the user of MAX. Accordingly, you are not required to pay for use of the MAX electronic network required by this Circular.

### **31.7 Multi-year appropriations.**

Consider whether it is appropriate to request appropriations with multi-year availability, particularly for buildings, equipment, and other types of fixed capital assets, including major ADP and telecommunications systems, with long acquisition cycles. Where multi-year appropriations requests are appropriate, you should match the period of availability to the expected length of the acquisition cycle.

### **31.8 Performance indicators, performance goals, and management improvement.**

Your estimates should reflect the Administration's commitment to improve program performance, e-government, management integrity and controls, program delivery, and financial management.

- *Performance indicators and performance goals.* Your estimates should reflect the performance goals and indicators, including target levels for these goals and indicators, as set out in your agency's annual performance plan. In particular, they should reflect any specific guidance on outcomes and related outputs provided in OMB's spring guidance memorandum to your agency (see section 51.7 and Part 2).
- *Capital planning and investment control.* Your estimates should reflect the Administration's commitment to IT investments that directly support agency strategic missions, employ an integrated planning, budgeting, procurement process, are citizen-centered, and are consistent with the Clinger Cohen Act of 1996, the Paperwork Reduction Act, the Federal Acquisition Streamlining Act, and OMB Circular A-130, Management of Federal Information Resources (see also Section 53 and Part 3, where applicable).
- *Electronic transactions and electronic recordkeeping.* Your estimates should prioritize and manage e-Government projects effectively through your agency's capital planning process and enterprise

architecture. Initiatives should create a citizen-centered electronic presence (maximizing use of the Internet) and advance an e-Government strategy that includes specific outcomes to be achieved. Your estimates should reflect the requirements of the Government Paperwork Elimination Act (GPEA) and OMB's guidance. Under GPEA, all transactions should have an electronic option and associated electronic recordkeeping by October 2003 if practicable. The National Archives and Records Administration has issued records management guidance for agencies implementing electronic signature technologies. The guidance can be found at the following Internet address:

[www.nara.gov/records/policy/gpea.html](http://www.nara.gov/records/policy/gpea.html)

- *Security.* Your estimates should reflect a comprehensive understanding of OMB security policies and NIST guidance, including compliance with the Government Information Security Reform Act, and OMB Memorandum No. M-01-08, "Guidance on Implementing the Government Information Security Reform Act, by:
  - ▶ Demonstrating that the costs of security controls are understood and are explicitly incorporated in the life-cycle planning of the overall system, including the additional costs of employing standards and guidance more stringent than those issued by NIST;
  - ▶ Demonstrating how the agency ensures that risks are understood and continually assessed;
  - ▶ Demonstrating how the agency ensures that the security controls are commensurate with the risk and magnitude of harm;
  - ▶ Identifying additional security controls for systems that promote or permit public access, other externally accessible systems, and those that are interconnected with systems over which program officials have little or no control;
  - ▶ Demonstrating how the agency ensures the effective use of security controls and authentication tools to protect privacy for those systems that promote or permit public access; and
  - ▶ Demonstrating how the agency ensures that the handling of personal information is consistent with relevant government-wide and agency policies.
- *Privacy.* Your estimates should reflect the Administration's commitment to privacy and should include a description of your privacy practices and steps taken to ensure compliance with all OMB privacy policies.
- *Financial systems.* Your estimates should reflect plans to achieve a single, agency-wide, integrated financial management system and CFO plan initiatives. The scope of agency financial systems activities will include the following:
  - ▶ Core financial systems, as described in the JFMIP Core Financial System Requirements Document.
  - ▶ Financial and mixed systems critical to effective agency-wide financial management, financial reporting, or financial control.

Sections 52 and 53 describe the materials that must be submitted for agency financial management systems.

### **31.9 Performance of commercial activities.**

Your estimates should reflect the probable results generated by cost comparisons or other performance conversions authorized by OMB Circular No. A-76 and its Revised Supplemental Handbook (March 1996), including potential savings that may result from actions taken as a result of the annual review of the commercial activities inventory required by the Federal Activities Inventory Reform Act (P.L. 105-270). For activities that assume additional FTE or dollar resources to provide a product or service, submit a full justification, including a possible recompetition, waiver justification, or determination of workload increase, as appropriate. To the extent possible, offset additional resource requirements to meet mission or administrative requirements for in-house performance through savings from these and other efforts to reduce costs, including savings from conducting cost comparisons on other existing in-house activities, reinvention savings, privatization, or attrition.

Under the requirements of the Revised Supplemental Handbook, you must justify the following types of requests for in-house government resources:

- To begin, expand, or enlarge, a government operated activity.
- To convert a contracted activity to in-house performance.
- To provide new or expanded services to another agency on a reimbursable basis.

Except where specifically exempted, all commercial activities are subject to the cost comparison requirements of Circular No. A-76 and its Supplemental Handbook. This includes the purchase and use of government aircraft and motor vehicle fleets.

In accordance with the requirements of OMB Circular No. A-97, you must justify in advance and obtain the required certification before providing commercial support services to State and local governments.

Performance of commercial activities should be fully consistent with actions taken by the agency to implement other management reform initiatives, including those addressed in OMB Memorandum M-01-15, "Performance Goals and Management Initiatives for the FY 2002 Budget":

- Making greater use of performance-based contracts;
- Expanding the application of on-line procurement;
- Expanding A-76 competitions; and
- Increasing the accuracy of FAIR Act inventories.

Also, the performance of commercial activities should be consistent with your agency's five-year workforce restructuring plan (see section 31.11).

### **31.10 User charges and user fees.**

Under OMB Circular No. A-25, you must review user charges for your programs at least once every two years, and you must report the result of the review and any resultant proposals in the Chief Financial Officers Annual Report required by the Chief Financial Officers Act of 1990 (see section 8(e) of OMB Circular No. A-25). Develop your estimates in accordance with the full cost recovery policy for user charges set forth in

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that Circular. User charges normally should recover the full cost of providing goods or services to the public. The exception to this rule is when the Government provides goods or services under business-type conditions, including amounts collected for the use or sale of natural resources; in such cases, the user charge should be set at the market price.

When you determine full cost recovery, reflect the retirement costs associated with providing the goods or services. For the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS), estimate costs as specified in section 32.5.

User fees, which are reported in MAX, are a subset of user charges. There has been a growth in user fees, and some have been classified by law as offsetting collections or offsetting receipts when they more appropriately should have been classified as governmental receipts. Only user fees that arise from business-type transactions should be classified as offsetting collections or offsetting receipts. The Administration plans to monitor and review the classification of user fees and other types of collections. User fees and user charges are discussed further in section 20.

If you propose new user fees that require authorizing legislation, provide a clear explanation of the new user fee and the legislation that will be required to authorize it. Include a detailed discussion of plans for achieving enactment of the legislation and the administrative actions planned for collecting the fees if the legislation is enacted. Assess the proposal's chances of enactment, taking into account the likely reaction to the proposal by Congress and the users. Describe the basis for your assessment in detail. If you believe that the proposal will lack support, explain why you believe the President should propose it in the budget anyway.

### **31.11 Workforce planning and restructuring**

As specified in OMB Bulletin 01-07 on “Workforce Planning and Restructuring,” you must identify the specific organizational changes the agency is proposing to reduce the number of managers, reduce organizational layers, reduce the time it takes to make decisions, increase the span of control, and redirect positions within the agency to ensure that the largest number of employees possible are in direct service delivery positions that interact with citizens and retrain and/or redeploy employees as part of restructuring efforts. Your budget submission and performance plan must also identify the specific human resources management and development objectives and associated resources that support agency accomplishment of programmatic goals.